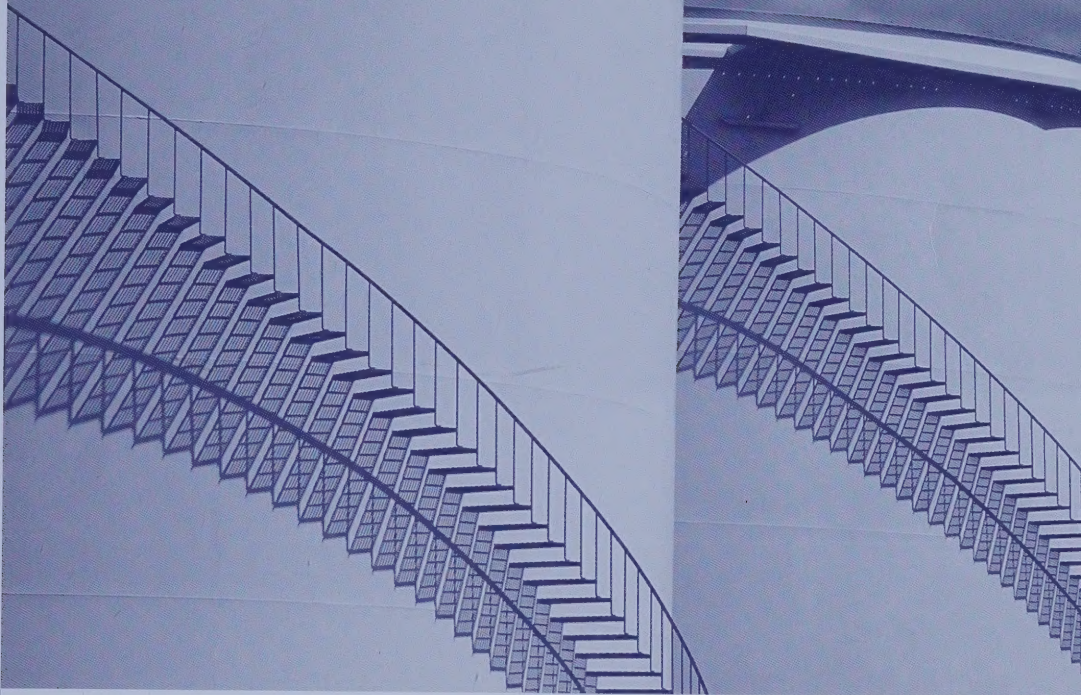


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World Point Terminals Inc.

Annual Report 1999

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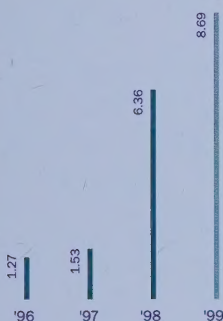
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Annual Meeting

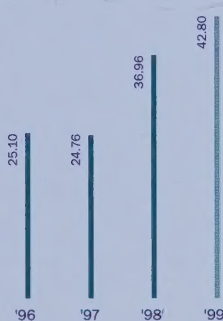
The Annual General Meeting of shareholders will be held on Friday, June 16, 2000, at 9:00 am in the boardroom of the Company offices, which have been relocated to: Suite 600, 630 Eighth Avenue SW, Calgary, Alberta.

1999 Highlights

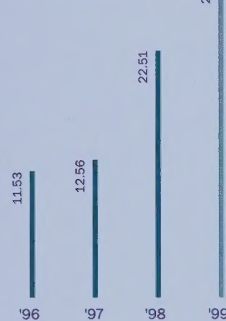
NET INCOME
MILLIONS OF US DOLLARS



OPERATING REVENUE
MILLIONS OF US DOLLARS



SHAREHOLDER EQUITY
MILLIONS OF US DOLLARS



All amounts in thousands of U.S. dollars, except per share data, or as otherwise noted.

	1999	1998
Operating Revenue	\$42,804	\$36,963
Net Income	8,691	6,361
Additions to Property, Plant & Equipment	6,993	12,496
Shareholders' Equity	29,975	22,507
Earnings Per Share	0.557	0.454
(Basic, adjusted for 1:5 consolidation)		
Net Equity Per Share	1.8713	1.4534
(adjusted for 1:5 consolidation)		

From the President

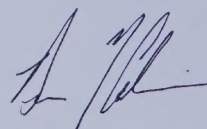
The strong financial
performance achieved by
World Point Terminals
in 1999 came during a
year of transition for
petroleum markets
worldwide.

The strong financial performance achieved by World Point Terminals in 1999 came during a year of transition for petroleum markets worldwide. Petroleum prices rose substantially from the first through the fourth quarters, turning the environment for liquid storage providers from favorable to difficult.

World Point was substantially hedged against its exposure to backwardation in the shape of the market-forward price curves through negotiated term contracts with customers at most of its facilities in 1999. One significant contract for storage services at South Riding Point expired near the end of the first quarter of 2000, although management is confident its efforts at either renewing the contract or replacing it will ultimately be successful.

For 1999, operating revenue, net income and shareholders' equity all improved. Revenues increased by 16% to U.S.\$42.8 million, primarily reflecting a full year of operations for the combined operations in Europe. Net income increased by 37% and shareholders' equity increased by 33%.

There were many significant events during 1999 and early 2000 that will help shape the future of World Point Terminals. The Company eliminated all outstanding long-term debt, consolidated its share structure on a 1:5 basis and commenced a Normal Course Issuer Bid through the Toronto Stock Exchange to repurchase up to five percent of its outstanding shares. Through its Center Point subsidiary, the Company acquired four additional terminals – two in Arkansas, one in Memphis, Tennessee and one on the Chesapeake Bay in Virginia. All of these actions position the Company for continued growth in the future.



Bruce N. Calvin
President
April 25, 2000

Our Business and Facilities

World Point Terminals Inc. and its subsidiaries own and operate liquid bulk storage and terminal facilities located in North America and Europe.

These facilities store, blend, and transship petroleum and other products as an integral part of the wholesale distribution system. The Company also operates a fleet of tugboats in The Bahamas.

The facilities and 1999 operating results are described on the following pages.



The South Riding Point facility, located 35 miles east of Freeport on the southern exposure of Grand Bahama island, is used as a storage holding area for onward crude oil deliveries to the North American continent and as a "break-bulk" point for transshipment operations.

South Riding Point

FACILITIES

The South Riding Point facility, located 35 miles east of Freeport on the southern exposure of Grand Bahama island, is used as a storage holding area for onward crude oil deliveries to the North American continent and as a "break-bulk" point for transshipment operations.

The relatively shallow water access to United States Gulf and East Coast ports requires the final delivery segment of the crude oil voyage to these regions to be accomplished in smaller shuttle-size vessels. The transfer of the crude to the shuttles can be accomplished at a facility like South Riding Point's sea island, or via ship-to-ship lightering in the Gulf of Mexico. Situated close to the coastline of Florida, the Bahamas terminal offers economic advantages to other transshipment facilities as a result of its geographical proximity to the United States.

RESULTS OF OPERATIONS

South Riding Point's 1999 revenues increased by \$427,000 to \$11,576,000. While revenues increased slightly, operating profit decreased from \$3,680,000 in 1998 to \$2,576,000 in 1999. The key factors in this decrease were the cost of discretionary maintenance projects at the terminal and the settlement of the last remaining employee injury claim from the 1991 fire.

The demand for storage services worldwide declined during 1999, reflecting the change in the shape of the market-forward price curve from one of contango to that of backwardation. Despite this, South Riding Point enjoyed the benefit of having a fixed price contract in place for a large percentage of the storage capacity available during the year. However, this contract expired near the end of the first quarter of 2000. Management is optimistic that this contract can be renewed or replaced without a material negative impact on corporate earnings.

Freepoint

FACILITIES

Freepoint Tug & Towage Services, Ltd. ("Freepoint"), a subsidiary of South Riding Point, operates six tugboats in the Bahamas. In addition to providing the tug services necessary to support the South Riding Point terminal, Freepoint operates tugs in the container port in Freeport Harbour. The container port serves as a break-bulk point for dry cargo destined for the United States just as the South Riding Point terminal does for crude oil.

RESULTS OF OPERATIONS

Freepoint's 1999 revenues increased by \$179,000 to \$2,056,000. Despite this 10% increase in revenues, Freepoint incurred an operating loss of \$1,655,000. The first phase of the container port opened for business in July 1997. The volume of business grew rapidly and Phase II, which nearly doubled the capacity of the facility, was completed in December 1999. Future expansions are being planned. While the investment in the tug operations has not yet added to the Company's profitability, management believes that, as the container port business expands, the Freepoint operation has the potential to make an important contribution to future earnings.



The Europoint facility,
located in the Amsterdam
harbor, serves as a liquid
bulk storage terminal for
petroleum products,
molasses and edible oils.

Europoint

FACILITIES

The Europoint facility, located in the Amsterdam harbor, serves as a liquid bulk storage terminal for petroleum products, molasses and edible oils. The 1999 fiscal year represented the first full year of operations of the combined terminal operations assimilating the High Point facility and the Comos-Tank facility. The High Point side of the terminal has always served as a major storage and distribution site for gasoil (a common fuel for providing heat in Europe) in the Le Havre to Hamburg region of Western Europe. The Comos-Tank side of the terminal similarly provides gasoil storage, but specializes in gasoline storage and blending. The resulting efficiencies of the combination are reflected in the operating results.

RESULTS OF OPERATIONS

Europoint's combined revenues increased by \$6,081,000 to \$20,402,000 and operating profits increased from \$4,263,000 to \$8,129,000. The results reflect the favorable market conditions for gasoline and gasoil in Europe, as virtually all of Europoint's tankage, including that constructed during 1999, was utilized throughout the year. Because substantial portions of the operating costs are fixed, the 42% increase in revenues resulted in a 91% increase in operating profits. However, these fixed expenses become a liability in times when the facilities are running at less than full capacity. During 1999, Europoint invested over \$3.0 million in new tanks and expansion of the terminal's vapor recovery system. Also significant in 1999, Europoint signed a new three-year contract with its labor union, ensuring continued harmony with its work force.

While storage rates have softened recently, management believes that Europoint will be able to maintain a high level of tankage utilization during 2000. Europoint has developed strong ties with many of its customers by stressing flexibility and customer service.

Center Point

FACILITIES

Center Point owns six terminals, two located in or near St. Louis, Missouri, two in Arkansas, one in Memphis, Tennessee and one in Chesapeake, Virginia. These terminals are used for the storage of various petroleum products and chemicals. Under current long-term contracts, the primary product stored at the facilities is liquid asphalt, which must be continuously heated or it will congeal. The asphalt facilities are heated and insulated to accommodate these types of products.

Acquisition of Additional Terminal Facilities

Of its six terminals, Center Point acquired four of these facilities during December of 1999 and January of 2000. They are:

Chesapeake, Virginia

In December 1999, Center Point acquired a terminal located on the Chesapeake Bay in Virginia. The facility encompasses 69 acres of land and contains 578,000 barrels of tankage. Light oil (gasoline, diesel, fuel oil) storage accounts for 348,000 barrels. This tankage is currently being repaired and upgraded and should be available for service by summer of 2000. The remaining tanks were designed for storage of liquid asphalt products. These tanks have not been utilized for some years and will require significant investments before they can be put back in service. Center Point does not anticipate incurring these expenditures until it negotiates a long-term storage contract. Center Point has not yet signed any contracts for this facility.

Memphis, Tennessee

The Memphis facility is located approximately one mile from the Mississippi River, on approximately 9.7 acres of land, which is owned in fee simple and contains room for expansion. The Memphis terminal is currently used primarily for storage of jet fuel and No. 2 fuel oil, although it is capable of handling gasoline products as well.

The Memphis terminal consists of five main storage tanks ranging in size from 10,000 to 55,000 barrels with a total gross shell capacity of 140,000 barrels. Two smaller tanks of approximately 400 barrels each have previously been used to store ethanol. None of the tanks are heated or insulated.

Product is delivered to the facility by barge. The majority of the product leaves the terminal through the truck rack, with an occasional shipment out by barge. The barge dock is located about one mile from the terminal on the northwest end of McKellar Lake, which connects directly to the Mississippi River near President's Island.

Arkansas – Pine Bluff

The Pine Bluff facility is located on a man made lake (Lake Langhoffer) near the 71-mile marker of the Arkansas River, on 12 acres of land, and contains significant room for expansion. The Pine Bluff terminal is currently used for storage of No. 2 fuel oil and caustic soda and is capable of handling most bulk liquids other than gasoline.

The Pine Bluff terminal consists of four storage tanks, two 25,000-barrel tanks used for storage of caustic soda, a 25,000-barrel tank and a 50,000-barrel tank used for No. 2 fuel storage. The two tanks used for caustic soda are lined and heated.

Product is delivered to the facility by barge and moves out by truck or pipeline. The barge dock is located on the terminal's land and has two positions available for unloading either caustic soda or No. 2 fuel.

Arkansas – North Little Rock

The Little Rock facility is located on the Arkansas River near mile marker 117, on five acres of land. The Little Rock terminal is currently used for storage of caustic soda.

The Little Rock terminal consists of three tanks, a 25,000-barrel tank, a 45,000-barrel tank and 68,000-barrel tank. The two larger tanks are presently

not in use, but were originally built for No. 6 fuel oil storage. All three tanks are heated.

Product generally is delivered to the facility by barge and moves out by truck or barge. The barge dock is located on the terminal's land.

RESULTS OF OPERATIONS

Center Point's revenues decreased by \$846,000 during 1999 to \$8,770,000. The decrease is the result of a price concession that accompanied the renegotiation of a contract with Center Point's largest customer. The new contract extends through at least 2005 and ensures profitability over the coming years. Despite the reduction in revenues, operating profit increased from \$2,656,000 in 1998 to \$4,226,000 in 1999, primarily as a result of customer contracts being fully amortized early in the year. The new Center Point facilities generally have shorter-term contracts, although many of the customers have long-standing relationships. Management anticipates maintaining a high level of utilization. The high percentage of the capacity under long-term contract limits the upside potential somewhat, but ensures consistent cash flows and profits for the Company.



Center Point owns six
terminals, two located in
or near St. Louis, Missouri,
two in Arkansas, one in
Memphis, Tennessee and
one in Chesapeake,
Virginia. These terminals
are used for the storage
of various petroleum
products and chemicals.

Management's Analysis – 2000 Outlook

The outlook for the Company in the year 2000 is less positive than the spirit of optimism that existed last year at this time. The backwardation that currently exists in petroleum markets as a result of the relatively high oil price environment means that it will be more difficult to renew contracts that expire over the course of the year and rates may be lower than prior levels. The ability to lease out this available capacity at Europoint and South Riding Point will depend to a great extent on market conditions. The expiration of a significant contract at South Riding Point near the end of the first quarter of 2000 will result in a decrease in revenue.

The addition of new terminals at Center Point provides both opportunities and challenges. The existing contracts at the Arkansas and Tennessee terminals all extend beyond 2000. The Company will be pursuing customers for the Chesapeake terminal and the available tankage at North Little Rock. This available capacity is affected less by the global petroleum markets than the other business units.

Management is optimistic that Freepoint's operating results for 2000 will improve. The expansion of the container port should result in increased revenues. As a result of the December 1999 and future anticipated expansion, Freepoint will be adding a seventh tug to its fleet in mid-2000. On a stand-alone basis, Freepoint is not expected to generate a profit in 2000. However, its losses should not be

greater than the costs South Riding Point would otherwise incur for operation of the tugs required at its terminal if Freepoint were not providing this service.

Environmental responsibility remains at the forefront of World Point's corporate focus. Legislation and regulatory issues relating to environmental matters continue to become broader and more complex. World Point recognizes the challenges imposed by increased regulatory obligation, and has taken steps toward meeting this challenge head on. For example, South Riding Point in The Bahamas is an active member of the Clean Caribbean Cooperative (the "CCC"). The CCC maintains a ready equipment stockpile and trained contractor network to respond to environmental emergencies in the Caribbean. In Amsterdam, Europoint personnel are actively working with the governmental authorities to implement a remediation program to clean site contamination that existed before the Company acquired the facilities, some of which came as a result of damage to oil storage facilities that were bombed during the second World War. All facilities maintain detailed spill response plans and practice procedures on a regular basis. The Company continues to be mindful of these obligations and will proactively respond with appropriate measures to ensure safe and efficient compliance with its environmental responsibility.

Auditors' Report

To the Shareholders of World Point Terminals Inc.:

We have audited the consolidated balance sheets of World Point Terminals Inc. as at December 31, 1999 and 1998 and the consolidated statements of operations, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Arthur Andersen LLP

March 17, 2000
Toronto, Canada

Consolidated Balance Sheets

December 31, 1999 and 1998 (in thousands of U.S. dollars)

	1999	1998
ASSETS		
Current Assets		
Cash and cash equivalents	\$5,519	\$2,518
Restricted cash and cash equivalents	5	461
Accounts receivable	1,414	1,209
Inventories	147	182
Prepaid expenses	768	936
	<u>7,853</u>	<u>5,306</u>
Restricted Term Deposit (Note 15)	2,133	2,484
Acquired Customer Contracts, net (Note 5)	—	618
Property, Plant and Equipment, net (Note 6)	28,278	25,878
Future Income Taxes	4,862	7,633
	<u>\$43,126</u>	<u>\$41,919</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$7,393	\$6,425
Credit facilities and current portion of long-term debt (Note 9)	5	5,415
	<u>7,398</u>	<u>11,840</u>
Long-Term Debt, less current portion (Note 9)	—	906
Environmental Contingencies (Note 15)	2,601	2,955
Other Liabilities	528	2,394
Future Income Taxes	2,624	1,317
Other Contingencies (Notes 8 and 15)		
Shareholders' Equity		
Share capital (Note 13)	5,848	4,635
Retained earnings	25,741	17,050
Cumulative translation adjustment	(1,614)	822
	<u>29,975</u>	<u>22,507</u>
	<u>\$43,126</u>	<u>\$41,919</u>

Approved on behalf of the Board:



Director



Director

Consolidated Statements of Operations and Retained Earnings

For the years ended December 31, 1999 and 1998 (in thousands of U.S. dollars, except share and per share data)

	1999	1998
REVENUES	<u>\$42,804</u>	<u>\$36,963</u>
Cost and Expenses		
Operating expenses	23,944	22,095
Selling, general and administrative expenses	5,625	4,927
Interest expense and other	<u>177</u>	<u>936</u>
	<u>29,746</u>	<u>27,958</u>
Income Before Income Taxes	13,058	9,005
Provision for Income Taxes	<u>4,367</u>	<u>2,644</u>
Net Income	<u>8,691</u>	<u>6,361</u>
Retained Earnings, beginning of year, as originally reported	16,783	10,546
Cumulative Effect of Change in Accounting Policy	<u>267</u>	<u>143</u>
Retained Earnings, beginning of year, as restated	<u>17,050</u>	<u>10,689</u>
Retained Earnings, end of year	<u>\$25,741</u>	<u>\$17,050</u>
Earnings per Post-Consolidation Share (Note 16)		
Basic	\$0.557	\$0.454
Fully diluted	<u>\$0.485</u>	<u>\$0.412</u>
Weighted Average Post-Consolidation Shares Outstanding (Note 16)		
Basic	15,594,245	14,020,779
Fully diluted	<u>18,375,367</u>	<u>15,760,184</u>

The accompanying notes are an integral part of these consolidated financial statements.

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Consolidated Statements of Cash Flows

For the years ended December 31, 1999 and 1998 (in thousands of U.S. dollars)

	1999	1998
CASH PROVIDED BY (USED IN) OPERATIONS		
Net income	\$8,691	\$6,361
Items not affecting cash:		
Depreciation and amortization	3,088	4,681
Special survey accrual	289	588
Future income taxes	3,498	1,802
	<u>15,566</u>	<u>13,432</u>
Net change in non-cash working capital balances	<u>815</u>	<u>2,401</u>
	<u>16,381</u>	<u>15,833</u>
INVESTING		
Purchase of terminal assets, net (Note 4)	(1,650)	(9,982)
Payment of acquisition liabilities	(2,633)	(2,682)
Capital expenditures	(3,792)	(2,718)
	<u>(8,075)</u>	<u>(15,382)</u>
FINANCING		
Increase (decrease) in credit facility	(750)	750
Issuance of share capital	1,213	2,338
Proceeds from long-term debt	—	16,775
Repayment of long-term debt	(5,240)	(19,424)
	<u>(4,777)</u>	<u>439</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	<u>(528)</u>	<u>49</u>
Increase in Cash and Cash Equivalents	<u>3,001</u>	<u>939</u>
Cash and Cash Equivalents, beginning of year	<u>2,518</u>	<u>1,579</u>
Cash and Cash Equivalents, end of year	<u>\$5,519</u>	<u>\$2,518</u>
Supplemental Information		
Cash paid for interest expense	<u>\$348</u>	<u>\$700</u>
Cash paid for income taxes	<u>\$1,002</u>	<u>\$867</u>

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

DECEMBER 31, 1999 AND 1998 (all currencies expressed in thousands, except per share data)

1. NATURE OF BUSINESS

World Point Terminals Inc. ("World Point") is a public company continued under the Canada Business Corporations Act. World Point and its subsidiaries (the "Company") operate eight (five at December 31, 1999) liquid bulk storage and terminal facilities along with a tug operation. The facilities are located in The Bahamas ("South Riding Point"), the Netherlands ("Europoint") and the United States ("Center Point"). Through these facilities, the Company stores, blends and transships petroleum and other products and is an integral part of the wholesale distribution system. The tug operations are located in The Bahamas ("Freeport") and primarily relate to services provided at the container port in Freeport Harbour. Freeport also provides tug services to South Riding Point.

2. CUSTOMERS

The Company conducts its business with a relatively few number of customers under both short and long term contracts. A large portion of the annual expenses of the Company are fixed and, accordingly, the Company's ability to meet its ongoing obligations is dependent upon its ability to retain existing customers and attract new customers.

Effective March 2000, a customer whose revenues in 1999 approximated 24% of the Company's total revenues did not renew its contract. The Company is having ongoing discussions with this customer, and others, concerning utilization of the available tankage.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include the accounts of World Point and its subsidiaries.

The accounts are presented in United States dollars because a substantial amount of activities are denominated in United States dollars or local currencies which are at parity with the United States dollar. Activities which are denominated in currencies not at parity with the United States dollar have been translated to United States dollars in accordance with the foreign currency translation policy set out below.

Cash and Cash Equivalents

The Company includes demand deposits with banks and all highly liquid investments with original maturities of three months or less in cash and cash equivalents.

Restricted Cash, Cash Equivalents and Term Deposit

These assets are restricted in their use by the Company's banks.

Inventories

Inventories consist primarily of gasoline and diesel fuel for use in the operation of the storage facilities and tugs. Fuel inventories are recorded at cost using the first-in, first-out method.

Foreign Currency Translation

Transactions occurring at South Riding Point are denominated in the local country currency or the United States dollar. The local currency exchange rates are at parity with the United States dollar.

Transactions occurring at Europoint are denominated primarily in Netherlands guilders ("NLG"). Management is of the opinion that the operations are self-sustaining foreign operations for purposes of foreign currency translation and, accordingly, the assets and liabilities are translated into United States dollars at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated into United States dollars at the rate of exchange prevailing at the time of the transactions. Exchange gains and losses arising from the translation of the balance sheet are deferred and included in shareholders' equity and will be realized only when there is a reduction in the net investment of this operation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transactions occurring at World Point are denominated in Canadian dollars or the United States dollar. Canadian dollar transactions have been translated into United States dollars using the temporal method. This includes converting monetary items at the year-end rate, non-monetary items at historical rates and revenue and expense items at the rates in effect on the date of the transaction. Any gain or loss relating to these exchange rates are recognized in the consolidated statement of operations.

Terminal Assets – Netherlands and United States

The Netherlands and United States terminal assets are recorded at acquisition cost and are depreciated on a straight-line basis over the shorter of the estimated useful lives or remaining term of any applicable lease arrangement (see Note 8). Depreciation is provided on pipelines and storage terminals over periods from 14 to 17 years and on other assets from 3 to 5 years.

Terminal Assets – Bahamas

The Bahamas terminal assets have been recorded on a basis consistent with the accounting treatment used in the 1986 acquisition by a related party, resulting in minimal cost and depreciation related to the facility. Contingent payments to the former owners have been expensed as incurred (see Note 7). Additions to terminal assets and other equipment are recorded at acquisition cost and are depreciated on a straight-line basis over their estimated useful lives of 3 to 5 years.

Tug Improvements

Improvements to the tugs are recorded at cost and are amortized on a straight-line basis over the shorter of the estimated useful lives or remaining term of applicable lease arrangements (see Note 10) which generally range from 3 to 5 years.

Acquired Customer Contracts – United States

Acquired customer contracts are recorded at acquisition cost (see Note 5) and were amortized on a straight-line basis over the original non-cancelable term of the customer contracts which was 3.75 years at the date of acquisition of the storage facilities.

Special Survey Costs

Special survey costs for tug boats used in The Bahamas are estimated and accrued over the shorter of the period between surveys or the remaining term of the bareboat charter hire agreements (see Note 10).

Change in Accounting Policy – Future Income Taxes

Effective January 1, 1999, the Company elected to implement CICA Handbook Section 3465 "Income Taxes". Under these new rules, the liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and measured using the tax rates and laws that will be in effect when the differences are expected to reverse. Previously, income tax expense was determined using the deferral method of tax allocation. Deferred tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and measured at the tax rate in effect in the year the difference originated.

The effect of this new rule is primarily to recognize certain tax benefits arising in connection with the acquisition of the Europoint terminals in 1994 and 1998. This change has been applied retroactively and prior year balances have been restated. The effect of this change in accounting policy as at January 1, 1998 is to increase the future income tax asset by \$1,910, reduce the Company's investment in property, plant and equipment by \$1,740, increase retained earnings by \$143 and to increase the cumulative translation adjustment by \$27. The change also had the effect of increasing the future income tax asset and reducing the property, plant and equipment related to the 1998 acquisition by \$4,221. For the year ended December 31, 1999, this change in accounting policy reduced depreciation expense on property, plant and equipment by \$523 (1998 – \$369) and increased income tax expense by \$1,337 (1998 – \$246).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. ACQUISITION OF STORAGE FACILITIES

Center Point

On December 17, 1999, Center Point purchased a liquid bulk storage facility located in Chesapeake, Virginia. The purchase price of \$1,650 was funded by current operations of Center Point. The seller of the terminal has indemnified Center Point for environmental remediation expenses related to conditions existing at the acquisition date for a period of 20 years. The facility consists of approximately 348,000 barrels of light oil (gasoline, diesel, fuel oil) tankage, 230,000 barrels of out-of-service asphalt tankage, 12 acres of land leased through January 2020 and 8 acres of excess land. The Company anticipates spending \$150 to \$200 to repair the light oil tanks before they are placed in service. The asphalt tanks will likely remain out of service until the Company negotiates a long-term storage contract.

Europoint

Europoint acquired the shares and operations of Comos-Tank B.V. in June 1998 for \$9,982 cash, plus annual contingent payments through 2007 if the aggregate revenues of Europoint exceed certain thresholds. Effective September 1, 1999, Europoint reached an agreement with the former owner of Comos to settle the contingent payment obligation and other disputes for a net amount of NLG 10,750 (\$5,177), of which NLG 5,375 (\$2,633) was paid September 1, 1999, and the balance is to be paid September 1, 2000. A summary of the assets and liabilities related to the acquisition, taking into account the settlement, is as follows:

Pipelines and storage terminals	\$9,778
Future tax benefit acquired	7,100
Working capital acquired	1,148
Contingent payment liability	(5,362)
Restructuring liability	(2,682)
<u>Net assets acquired</u>	<u>\$9,982</u>

The Comos-Tank facility is located in the Amsterdam harbor adjacent to Europoint's existing facility. Europoint has integrated the operations of the two facilities, including construction of a pipeline connection and elimination of redundancies in personnel. The estimated cost of restructuring (other than the pipeline construction) and the settlement amount of the contingent payment were recorded as liabilities and are included in the acquisition cost of the terminal.

5. ACQUIRED CUSTOMER CONTRACTS

Acquired customer contracts consisted of the following at December 31:

	1999	1998
Cost	\$9,852	\$9,852
Less: Accumulated amortization	(9,852)	(9,234)
	<u>\$ —</u>	<u>\$618</u>

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at December 31:

	1999		
	Cost	Accumulated Depreciation	Net Book Value
United States terminal assets	\$15,567	\$4,456	\$11,111
Netherlands terminal assets	17,234	1,780	15,454
Bahamas terminal assets	1,912	1,144	768
Freeport tug improvements	1,614	669	945
	\$36,327	\$8,049	\$28,278

	1998		
	Cost	Accumulated Depreciation	Net Book Value
United States terminal assets	\$13,872	\$3,469	\$10,403
Netherlands terminal assets	14,873	1,163	13,710
Bahamas terminal assets	1,841	1,009	832
Freeport tug improvements	1,236	303	933
	\$31,822	\$5,944	\$25,878

7. REPAYMENT AGREEMENT

On April 8, 1986, South Riding Point entered into an agreement providing for the assignment of the Bahamas terminal lease (the "Repayment Agreement"). The Repayment Agreement provides for payments to a maximum of \$6,000 based on throughput (gross barrels of crude export). Payments began in July 1989 at the rate of 2.5 cents per barrel of throughput and are expensed as incurred. Expenses relating to the Repayment Agreement totaled \$567 and \$280 for the years ended December 31, 1999 and 1998, respectively. The contingent liability remaining at December 31, 1999 totaled \$1,186 (1998 – \$1,753).

8. FACILITIES LEASE AGREEMENTS

Bahamas Terminal

South Riding Point operates a storage and transshipment facility on Grand Bahama Island. The facility is situated on land leased through December 31, 2019, from the Bahamas Agricultural and Industrial Corporation ("BAIC"), a company controlled by the government of the Bahamas. The annual lease payments to BAIC are \$1,000 plus a throughput charge of 1.5 cents per barrel of annual throughput in excess of fifty million barrels. Lease expense totaled \$1,000 for each of the years ended December 31, 1999 and 1998.

Netherlands Terminal

Europoint operates a liquid bulk storage facility in the Amsterdam harbor. The facility is situated on land leased from the Amsterdam Metropolitan Council (the "Council"), a Netherlands governmental agency, under three separate leases. One lease runs through July 31, 2012. The rental under the lease totaled NLG 2,257 (\$1,027) in 1999 and NLG 2,230 (\$1,183) in 1998. The other two leases run through December 31, 2007 and contain two 15 year extension options each. The rental under these leases totaled NLG 1,243 in 1999 and NLG 718 (\$380) for the period from acquisition (June 1, 1998) through December 31, 1998. The payments due under the three leases are adjusted annually each January 1 in accordance with the General Condition published by the Council.

9. CREDIT FACILITIES AND LONG-TERM DEBT

Long-term debt consisted of the following at December 31:

	1999	1998
Term loans from commercial banks	\$5	\$4,558
Promissory note payable to affiliate	—	1,763
	5	6,321
Less: Current portion	(5)	(5,415)
	\$—	\$906

Europoint

A commercial bank provides a credit facility to Europoint that includes a maximum NLG 8,000 overdraft borrowing and NLG 22,000 contingency line to accommodate the issuance of a customs bond. The overdraft facility includes a NLG 1,000 basic line and a NLG 7,000 excess line which was reduced by NLG 1,750 per quarter, commencing April 1, 1999. The credit facility is secured by Europoint's accounts receivable, machinery and equipment. Borrowings under the facility bear interest at the bank's base rate plus 1.75% (5.8% at December 31, 1998). At December 31, 1999, borrowings under the overdraft facility totaled Nil (1998 – NLG 1,415 (\$750)).

Center Point

Subsequent to year-end, Center Point converted its term loan into a revolving credit facility secured by substantially all of its assets. The maximum available borrowings under the credit facility were \$9,063 at inception and will be reduced quarterly until final maturity (July 1, 2005). World Point has guaranteed Center Point's obligations under this facility.

10. TUG CHARTER HIRE AGREEMENTS

Freepoint has bareboat chartered three ocean-going tugs from an affiliate at a rate of \$10 per tug per month through December 1, 2001. During 1998 Freepoint entered into bareboat agreements with an affiliate to charter two additional tugs, engineered for use in the container port business, at the combined rate of \$3.5 per day through February 28, 2002. A third tug for the container port was added in 1999 at \$1.5 per day. Tug rental expense under these charters totaled \$1,922 and \$1,075 for the years ended December 31, 1999 and 1998, respectively.

11. INCOME TAXES

There are no income taxes in the jurisdictions in which South Riding Point operates its business or owns or leases property, namely Bermuda and The Bahamas. World Point is liable for income taxes on the earnings of South Riding Point upon repatriation of these earnings to Canada. Management is of the opinion that the accumulated earnings of South Riding Point are permanently invested in Bermuda and The Bahamas and no taxable repatriation of earnings is anticipated. Accordingly, no income taxes have been provided on those earnings. If all accumulated earnings of South Riding Point were expatriated to Canada, approximately \$6,800 of income taxes would be due, based on current income tax rates.

Income taxes have been provided on the earnings of the Netherlands and United States operations.

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11. INCOME TAXES (Continued)

The difference between the income tax provision computed at the combined statutory Canadian federal and provincial income tax rate and the consolidated financial statement provision for income taxes is summarized as follows:

	1999	1998
Provision for income taxes based on combined basic federal and provincial income tax rates of 44.62%	\$5,822	\$4,018
Increase (decrease) in taxes resulting from:		
Lower effective income tax rate on earnings of foreign subsidiaries	(1,571)	(1,582)
Other	116	208
Actual provision for income taxes	\$4,367	\$2,644

12. RELATED PARTY TRANSACTIONS

South Riding Point

The marketing efforts for South Riding Point are coordinated by an affiliated company. The affiliate undertakes to market, store and transship on behalf of South Riding Point for a fee of one cent per barrel of actual throughput on transshipment contracts and one cent per barrel per month on storage contracts. The affiliate has been granted exclusive marketing representation and authority on behalf of South Riding Point. This fee totaled \$518 and \$634 for the years ended December 31, 1999 and 1998, respectively.

During 1998, South Riding Point sold its crude oil recoveries to an affiliate for \$458. These recoveries were accumulated primarily as a result of chemically converting slops and bottoms to saleable crude.

Europoint

Europoint earned storage revenue from an affiliated company of \$5,394 (1998 – \$3,505). Accounts receivable included \$43 and \$26 from storage revenues at December 31, 1999 and 1998, respectively.

Center Point

The affiliate from which the St. Louis terminals were purchased continues to operate the two facilities and receives a management fee of \$30 per month plus reimbursement of all expenses related to the facilities. For each of the years ended December 31, 1999 and 1998, management fees charged by the affiliate amounted to \$360, and operating costs billed by the affiliate amounted to \$998 and \$1,046, respectively.

13. SHARE CAPITAL

Authorized share capital of the Company consists of an unlimited number of Common shares carrying the right to one vote per share. At December 31, 1999, 80,092,182 Common shares were issued and outstanding (1998 – 77,427,182). During 1999, options for 2,665,000 shares were exercised for net proceeds of \$1,213. During 1998, the Company issued 9,000,000 common shares for net proceeds of \$2,338.

At December 31, 1999, the Company had stock options outstanding to officers, directors and employees for 3,910,000 shares at exercise prices ranging from 16 to 80 cents Canadian. The options expire from July 14, 2001, to October 19, 2003. The Company issued warrants to purchase 10,000,000 shares at a price of 50 cents Canadian to an affiliate as additional consideration for a loan used to purchase the Comos-Tank facility (see Note 9). In management's opinion, the warrants, which expire June 19, 2003, had a nominal value at the date of issue.

14. SEGMENTED INFORMATION

The Company's operations consist of the Bahamas tug operations, the Bahamas terminal, the Netherlands terminal and the U.S. terminals. A summary of the segmented operations included in the Company's accounts for the years ended December 31 is as follows:

1999					
	Bahamas		Netherlands	U.S.	Total
	Tugs	Terminal			
Revenue	\$2,056	\$11,576	\$20,402	\$8,770	\$42,804
Segmented operating profit (loss)	\$ (1,655)	\$2,576	\$8,129	\$4,226	\$13,276
General corporate expenses					(218)
Income taxes					(4,367)
Net income					\$8,691
Identifiable assets	\$2,142	\$3,995	\$24,822	\$12,167	\$43,126

1998					
	Bahamas		Netherlands	U.S.	Total
	Tugs	Terminal			
Revenue	\$1,877	\$11,149	\$14,321	\$9,616	\$36,963
Segmented operating profit (loss)	\$ (1,425)	\$3,680	\$4,263	\$2,656	\$9,174
General corporate expenses					(169)
Income taxes					(2,644)
Net income					\$6,361
Identifiable assets	\$1,647	\$3,247	\$25,026	\$11,999	\$41,919

15. CONTINGENCIES

The Company is subject to extensive environmental laws and regulations in the jurisdictions in which it operates. These rules are constantly changing and potential environmental claims could arise in the ordinary course of business. In management's opinion, these contingencies will not have a material adverse effect on the results of operations or on the financial condition of the Company.

Europoint's 1994 acquisition of the first Netherlands terminal included the assumption of an environmental contingency recorded at NLG 5,000. In connection with the purchase, Europoint guaranteed a portion of the environmental clean-up costs and issued a letter of credit to the Council. The letter of credit was issued for NLG 5,000 and has been reduced to NLG 4,684 (\$2,133) at December 31, 1999, as a result of certain qualifying expenditures. A term deposit has been pledged to the bank in support of the letter of credit. The guaranteed portion of the environmental clean-up contingency was recorded as an environmental liability and included in the acquisition cost of the terminal assets.

The first Netherlands terminal has undergone a detailed environmental review. The appropriate clean-up methodologies and the sharing of costs between Europoint and the Council are currently being negotiated. Although the total cost of the environmental clean-up is expected to significantly exceed the recorded liability, the Company is of the view that the Council is responsible for a substantial portion of the clean-up costs. Absent formal agreement with the Council, the exact portion for which Europoint will be liable will be determined by arbitration. The Council has agreed in principle that the payment of the clean-up will be spread over the remaining term of the lease.

15. CONTINGENCIES (Continued)

Comos-Tank B.V., which was acquired in June 1998, is contingently liable for a claim by the Belgian Ministry of Finance in the amount of 404,646 Belgian Francs (\$10,079 at December 31, 1999) plus interest and costs, for customs duties related to certain shipments of gasoline from the Comos-Tank facility in late 1990. The claim is the result of gasoline being imported into Belgium with allegedly invalid customs documents. Under the General Conditions for Tank Storage in The Netherlands, this liability, if it exists, is the responsibility of the owner of the product, not the terminal operator. Comos-Tank B.V. has received an unlimited indemnity from its customer and bank guarantees in the amount of NLG 16,000 (\$7,285 at December 31, 1999). Management believes that there will be no adverse effect from this claim on the financial position of the Company.

16. EVENTS SUBSEQUENT TO DECEMBER 31, 1999

Terminal Acquisitions – Center Point

On January 28, 2000, Center Point purchased three oil terminals from a related party at fair market value as confirmed by an independent fairness opinion for \$6,000 cash, consisting of approximately \$3,380 of terminal assets and \$2,620 assigned to acquired customer contracts. Two of the terminals are located in Arkansas and one in Tennessee. Concurrent with this transaction, the purchaser subscribed for 11,204,060 pre-consolidation common shares of the Company for \$6,000.

Share Capital

Effective January 21, 2000, the Company amended its articles of incorporation to consolidate the Company's common shares on the basis of one new post-consolidation common share for every five issued and outstanding pre-consolidation common shares.

Effective February 14, 2000, the Company commenced a Normal Course Issuer Bid which allows the Company to purchase up to 5% of the outstanding common shares (913,352 post-consolidation) at market prices during the following twelve month period.

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